

September 30, 2014

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

In my letter of 13 August 2014, I noted that SCE&G received a preliminary Revised Schedule from the Consortium for VC Summer Units 2&3 that shows the Unit 2 substantial completion date to be delayed until late 2018 or the first half of 2019, and the Unit 3 substantial completion date to be delayed by approximately one year, thereafter.

According to SCE&G, the Consortium has continued to experience delays in schedule for fabrication and delivery of submodules for the Units and that these schedule delays are the primary purpose for issuing a Revised Schedule. SCE&G has not agreed to the Revised Schedule or accepted responsibility for any delay-related costs; SCE&G expects to have discussions with the Consortium regarding such responsibility.

The Engineering, Procurement, and Construction Contract incorporates price protections for ratepayers via the Fixed/Firm cost category. The underlying costs in this cost category are pre-defined and subject only to cost increases associated with escalation. The fabrication, delivery, onsite assembly and transportation to the lifting point of the major structural modules -- CA01 through CA05 and CA20 -- are items addressed in the Fixed/Firm cost category. In Order 2011-345, the Commission approved SCE&G to make a \$10 million risk compensation payment by which the Consortium would assume the principal price risk and responsibility for 11 scopes of work that specifically included these structural modules. Similarly, all costs for Shield Building material, fabrication, shop assembly and final delivery to the site are also items addressed in the Fixed/Firm cost category.

As of ORS's 2nd quarter report, the Consortium has not yet provided SCE&G with any updated cost estimates. The Company anticipates that the Revised Schedule and updated cost estimates will be finalized by the latter half of 2014.

Subsequent to the release of the Revised Schedule, Fitch revised SCE&G's rating outlook on August 15, 2014 from stable to negative. Fitch notes that the negative rating outlook reflects the heightened regulatory and financial risk of SCE&G's nuclear construction program following the announcement of a longer-than-expected delay in the construction schedule and the uncertain cost impact.

At present, the construction of these two nuclear units is providing more than 3,400 good-paying jobs.

On September 11, 2014, ORS representatives visited the SMCI (a subsidiary of MetalTek International) facility in Lakeland, Florida to review the status of various structural and mechanical submodules under fabrication at the facility for the Units. SMCI appears to be committed to, and capable of, achieving the quality and production goals for the Units; however, SMCI will need to demonstrate a sustained level of high quality and on-time delivery before a performance assessment can be made.

The ORS issued its review on SCE&G's 2nd Quarter 2014 Report on the status of construction of VC Summer Units 2&3. The report is available on the ORS web site under *Latest News*.

We are working to address issues related to the EPA's Clean Power Plan. As proposed, it has been estimated that the Plan could make South Carolina the largest carbon intensity reduction site in the nation. We would be required to significantly reduce our pounds of carbon per megawatt hour (lbs/MWh). A primary reason for this high reduction is that the EPA proposed rule gives us absolutely no credit for the construction of V. C. Summer Units 2&3 and reduces our existing nuclear fleet by 5.8% (free of carbon dioxide). The EPA assumes that South Carolina produced over 20 million megawatt hours of carbon-free electricity being supplied to the electric grid without the effects of reducing carbon emissions. This assumption is unreasonable. If someone started nuclear construction today, they would get full credit when they generate electricity. Correcting these two issues – no credit for the construction of VC Summer Units 2&3 and reduction of our existing nuclear fleet by 5.8% -- would change our target level from 772 lbs/MWh to 1041 lbs/MWh, or decrease our required reduction by 269 lbs/MWh. With just these two reasonable modifications, we could make the Clean Power Plan more workable for South Carolina.

The EPA has extended the comment period by 45 days from October 16 (the original deadline) to December 1, 2014. The ORS is working with the DHEC Bureau of Air Quality Stakeholder Group to draft comments. ORS staff participated in a NRRI teleseminar earlier this month regarding, among other items, issues for states to consider as the deadline for comments approaches.

Today, I am making a presentation in Washington, D.C., to the S.C. Business Council, which includes members of the S.C. Congressional delegation, to discuss the impact of the proposed rule on South Carolina.



On September 24th, ORS staff from the Electric, Gas, Audit, and Legal Departments visited SCE&G's Urquhart station located in Aiken County. At the Urquhart station, all coal-fired units have been converted to natural gas, and all of the coal-handling equipment has been removed. In addition, Urquhart has new combined-cycle, high-efficiency gas turbines.

Subsequent to the signing of Act 236, the ORS requested (and was granted by the PSC) a generic proceeding to establish the net-metering methodology for use by the electric utilities. As encouraged by Act 236, the ORS retained a consulting firm, Energy and Environmental Economics, Inc. (E3), to assist the ORS and interested parties in a collaborative approach to

establishing net metering methodology. The ORS and E3 recently sent a survey to the fifteen parties participating in the net metering proceeding requesting their feedback on items to include in the net metering methodology calculation. In addition, the ORS is gathering data from the IOUs to be used when calculating potential benefits and costs of net metering. Stakeholder meetings will begin shortly, and the ORS is serving as the facilitator to resolve disputes and issues among the parties. In addition to the open docket related to net metering, the ORS is reviewing current interconnection standards to determine what changes are necessary based on Act 236.

The ORS continues to prepare for the oversight and administration of third-party lessors of solar installations. Toward this end, we are currently evaluating other states' requirements for lessors and solar installers. A draft application will be provided to the electric utilities and solar industry experts for their input.

The ORS continues its intensive efforts with the SC Emergency Management Division (EMD).

To promote economic development, the ORS provided a letter in support of 2 new economic development contracts (and amendments to existing ones) between SCE&G and Boeing. Boeing announced in 2013 an expansion program in North Charleston involving a 737 Max Propulsion plant and a Boeing Research and Technology facility. Boeing anticipates investing \$1 billion and creating 2,000 new jobs over the next decade.

The ORS Pipeline Safety program has almost completed the first round of Distribution Integrity Management Program (DIMP) inspections required by the end of CY 2014 as mandated by the PHMSA. The two most recent inspections (occurring this week) bring the total conducted thus far in 2014 to 16 of the 17 required by year end.

ORS Pipeline Safety Inspector Johnny Eustace attended PHMSA training in Oklahoma City from September 8th through 12th and is close to completing the requirements for federal certification. ORS Manager for Gas and Rail Tom Allen gave a presentation at the Carolina Public Gas Association meeting in Asheville, N.C., on September 22nd.



ORS Rail Inspector Marcus Landy addressed the SC Railroad Association in Charleston on September 12th regarding State Warning Point as well as the S.C. Rail Safety program. Rail safety inspections occurred in various locations around the State this month including Aiken, Pickens, Greenville, Spartanburg, and Cayce. In other railroad news, Tom Allen attended the Association of State Rail Safety Managers Conference in Washington, D.C.

The ORS continued its efforts to resolve the regulatory issues related to passenger transportation provided by Uber Technologies in advance of the PSC hearing scheduled for September 18th. Rasier, LLC -- a wholly owned subsidiary of Uber Technologies Inc. -- filed an application with the PSC on September 9, 2014 (Docket No. 2014-372-T). In its application, Rasier, LLC requests to be regulated as a motor carrier in South Carolina as a Class C -- Transportation Network Company. Rasier, LLC has also requested waivers of specific PSC regulatory provisions and has proposed an alternate structure to comply with the insurance requirements.

As a result of the Rasier, LLC filing, the ORS requested and the PSC granted a continuance of the hearing date in the ORS petition for declaratory ruling (Docket No. 2014-165-T). This continuance would allow the PSC to consider the application filed by Rasier, LLC. The ORS continues to work with Rasier and the S.C. Department of Insurance on the insurance coverage issues related to the application.

The ORS continues to take action to resolve consumer complaints and inquiries. From July 26, 2004 through August 31, 2014, the agency processed a total of 34,440 consumer complaints and inquiries. Of this total, 140 constituent referrals were initiated by members of the General Assembly, and 303 constituent referrals were initiated by the Governor's Office.

Electric	19,706
Gas	1,320
Sewer	762
Telecommunications	10,339

Incumbent Local Exchange Carriers	6,372
Inter-exchange Carriers	1080
Competitive Local Exchange Carriers	1495
Prepaid CLEC	497
Coin phone	25
Inmate telecommunications provider	54
Prepaid phone card	12
Non-regulated telecom entity/service	804
	10,339

Transportation	371
Water	1666
Misc.	276
Total	34,440

Noteworthy amounts recovered for consumers include the following:

- \$4,178 -- due to unauthorized charges on bill of an electric customer
- \$10,306 -- due to refund of deposit to an electric commercial customer

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

C. Dukes Scott
Executive Director

October 31, 2016

Dear NAME:

Last week, the ORS had its annual review with the PURC. We were very gratified and humbled by the many positive comments expressed by PURC members, especially as it relates to our role in state emergency management and our leadership on the State Energy Plan. None of this great work could be accomplished without your steadfast support, and for that we are very grateful.

Once again, our electric providers – SCE&G, Duke, the cooperatives, Santee Cooper, and the municipal systems – responded when we needed them. On Sunday, October 9, 2016, South Carolina reached a peak of approximately 862,000 electrical outages due to the havoc wreaked by Hurricane Matthew. By Friday the 14th, we had only 31,000 outages remaining, an absolutely remarkable restoration. As many as 8,500 line personnel worked through the night, sometimes in adverse environmental conditions, to restore electric service to South Carolinians.

During this crisis, the communication of the utilities with the ORS was perfect, and the coordination among the state agencies was excellent as they worked together for the public good. I met several agency heads during this emergency; we are fortunate to have such high-caliber leaders in these positions.

Through cooperation with law enforcement, we were able to get the utility crews and petroleum trucks into the damaged areas. First responders were there and able to help those in need. Our electric providers worked with us and the Department of Social Services to get SNAP benefits to those who lost food due to the electrical outages. The National Guard was there when needed and positioned a guardsman at the ORS station at the Emergency Management Operations Center. In addition, a guardsman was embedded with electric providers who made that request.

By October 27th, no full-time customers whose facilities were in a position to take power and had been cleared by the proper governmental entity to receive power should have been without. Other than the providers mentioned below, all others were either fully restored or had fewer than 50 outages remaining:

- Duke Energy Progress had approximately 300 customers who were awaiting inspections by local agencies to disposition the properties. Duke continued to work with the local authorities to aid in restoring services and providing temporary services when requested.
- Horry Electric Cooperative had approximately 750 outages. Of this total, 450 were due to the flood waters, and 300 were due to damages on the customer side of the meter.
- Pee Dee Electric Cooperative had 150 outages, some of which may never be restored due to total destruction. Other reasons were flooding, damage to the customer side, washed-out roads and inaccessible services.

We continue our review of SCE&G's ongoing construction activities for V.C. Summer Units 2 & 3. The hearing in Docket No. 2016-223-E, the SCE&G's BLRA budget and schedule update petition, concluded this month after three days of testimony. Allyn Powell and Gary Jones testified on behalf of the ORS in support of the settlement agreement reached at the end of August. The Commission's order in this case is due November 28, 2016. Westinghouse Electric Company, LLC (Westinghouse) and Fluor Corporation (Fluor) are both making steady progress toward

implementing the results of the Functional Area Assessments conducted earlier in the year and are actively conducting studies in other areas to identify opportunities for further improvement.

Fluor in particular is making good progress toward meeting site staffing needs by ramping up recruitment efforts and using more creative methods such as hiring entire teams under a subcontract to complete certain scopes of work. Initial efforts in this area have shown promising results. Fluor has been able not only to meet its internal goals, but also to steadily revise those goals upward to work toward staffing a larger second shift. Fluor's hiring goals are now exiting the ramp-up phase and reflect current project need. Fluor is also engaged in detailed planning efforts for the staffing needed in 2017. The ORS is hopeful that this increased staffing will be especially beneficial for the Unit 3 schedule, where certain scopes of work are becoming closer to critical path due to resource allocation issues.

While there are still challenges and there is much work yet to be done, Westinghouse and Fluor appear to be working well, together with SCE&G, to address issues as they arise and bring them to a more timely resolution. Recently, some setbacks have occurred related to reinforced concrete, but working together they have been able to re-sequence construction in these areas to avoid schedule impacts. One area in which improvement has been slow to manifest is productivity factors. The ORS has been tracking this issue closely and is concerned about what these metrics may mean for areas of the plant off the current critical path for construction. The ORS was pleased to be informed that Westinghouse is also turning its attention to this issue and is completing a productivity evaluation on site, thereby looking at items such as site layout and more efficient staging of materials. Some of these productivity issues may also be due to the way work was tracked under a previous contract. The ORS is looking forward to the availability of the fully resource-loaded integrated construction schedule, which may affect the way these metrics are calculated to more accurately reflect subcontractors and give us better insight going forward. The fully resource-loaded integrated schedule is currently estimated to be available by the end of the calendar year.

The ORS achieved a settlement in the Duke Energy Progress rate case, which should save customers \$22.8 million. Based on the settlement, a residential customer's monthly bill with 1,000 kWh usage would be \$113.44 as opposed to the requested amount of \$118.58 and the present amount of \$101.98. A monthly bill comparison for the investor-owned utilities for a residential customer using 1,000 kWh is set forth below:

SCE&G	Duke Energy Carolinas	Duke Energy Progress	Lockhart
\$147.53*	\$110.84	\$113.44**	\$134.43

*As of November 27th, 2016, \$27.03 or 18.32% of the \$147.53 is attributable to the BLRA.

**Per settlement

The rate increase per the settlement will be implemented over a two-year period. This incremental approach will help mitigate the impact of the increase for all customer classes and is especially important to industrial customers for budgeting purposes.

We remain concerned about future costs incurred to dispose of coal ash that may be uniquely required under the North Carolina Coal Ash Management Act (CAMA). If Duke Energy Progress and/or Duke Energy Carolinas are required to undertake activities under CAMA that exceed the

closure requirements of the Environmental Protection Agency's Coal Combustion Residual (CCR) rule or South Carolina's requirements, it is the ORS' position that those costs should not be recovered from South Carolina ratepayers. Also, if Duke Energy Carolinas and/or Duke Energy Progress resolve litigation related to coal ash disposal such that costs would exceed the CCR or South Carolina's requirements, it is our position that those costs should not be recovered from South Carolina ratepayers. In addition, any costs associated with penalties, fines, or the mishandling of coal ash disposal should not be recovered from South Carolina ratepayers. The disposal activities may meet the requirements of both CAMA and CCR; however, certain other activities would not. For example, the provision of drinking water wells in North Carolina, as required by the CAMA Amendment in the NC House Bill 630, would be the type of activity that does not serve a CCR-related purpose. We will carefully review recovery of coal ash costs in future proceedings. In addition, we will continue to identify those costs that should be allowed for ratemaking purposes in South Carolina as well as those that should be excluded from South Carolina rates.

After review by the Energy Office Advisory Committee, the Energy Office awarded \$5,000 mini-grants to five entities for energy projects: The City of Cayce (lighting and energy efficiency education); Northeastern Technical College (lighting); Landrum High School (lighting and student education); Sustaining Way (solar installation at community demonstration house); and Georgetown School District (lighting). All projects will be monitored before final payments are made, and we expect to develop "success stories" about the projects that will help encourage others to undertake energy efficiency work.

The Energy Advisory Committee also reviewed two loan requests under the ConserFund program, one for a solar installation at a private school and one for multiple energy efficiency measures at a church. The loans were approved and executed by the ORS.

The Association of State Energy Managers annual meeting was held on October 27th. Milestone recognition awards were presented to public entities that met the legislatively mandated 20% energy reduction requirement this year.

Solar leasing applications continue to come in at a steady pace. In October, we received two applications and approved seven (some were holdovers from the prior month). To date, we have reviewed 37 applications and approved 24.

Consumer Services recovered a total of \$4,784 for consumers in the prior month. This total includes the following notable recoveries:

- \$1,399 for an electric customer due to being charged an incorrect rate
- \$1,018 for an electric customer due to an error in assigned responsibility for the bill
- \$2,217 for an electric customer due to erroneous charges

Applications for household goods movers (HHG) are trending upward, with 5 applications currently pending. Four HHG rate cases are also underway; a compliance audit was conducted at one HHG's place of business as part of the rate application process.

The annual audit of the ORS Pipeline Safety Program by the Pipeline and Hazardous Materials Safety Administration (PHMSA) was conducted in October. The three-day audit went well, and we are anticipating a favorable result.

The annual Railroad Report is complete and will be submitted to the General Assembly on or before November 14th. One of our rail inspectors was invited by the Federal Railroad Administration (FRA) to participate in a focused inspection on "monster" trains, so named because of their extended length. The FRA has safety concerns with regard to these oversized trains.

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

C. Dukes Scott
Executive Director

November 25, 2014

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

During this time of Thanksgiving, I reflect on my great appreciation for this job as ORS' first Executive Director. I thank you for your support, and I thank the people who work here for the outstanding job that they do.

January 1, 2015 marks ten years since the ORS began representing the public interest in utility matters. Our first six months – July 1 to December 31 of 2004 – were spent building and training staff. In these ten years, we have saved South Carolinians over \$1.5 billion dollars through the settlement of over 400 matters. In addition, we have saved consumers approximately \$27 million through the resolution of consumer issues. It is gratifying to think about the enormity of this accomplishment and its tremendous benefit to the citizens of this State.

Last week, Nanette Edwards, Dawn Hipp, Anthony James, and Jeff Nelson attended the NARUC Annual Meeting in San Francisco. I appreciate their willingness to travel across the country to attend this conference, which is always a wonderful opportunity to share ideas and best practices with others in the utility regulation field. South Carolina Commissioners and their staff are active participants and hold leadership positions in NARUC and are well respected by others.

As part of the negotiations by the ORS in the Duke Energy Carolinas last rate case, DEC agreed to make, at shareholder expense, a \$1 million contribution under the direction of the ORS to support senior-citizen outreach and education. To assist the ORS in determining the best use of these funds, I appointed a Senior Citizens Advisory Committee. The Committee is chaired by Dan Jones; other members are Coretta Bedsole, Tony Kester, Chuck Claunch, and Charlie Terreni. Nanette Edwards participated in meetings on behalf of the ORS. I commend the Committee for their hard work.

The Committee recommends that up to \$250,000 be used to update the Office on Aging's website. A robust website serving as a reference center for individuals providing services to our State's senior citizens would be a valuable resource. The preliminary outline is to implement and market a comprehensive, user-friendly online information and referral site, to include resources for family caregivers.

The Committee recommends that the remaining \$750,000 be placed in a Donor Advised Fund that would support qualified non-profit organizations that rehabilitate and weatherize houses for senior citizens statewide. The principal would be invested, and a designated percentage of the earnings would be withdrawn each year. Plans exist for possible fundraising to augment the Fund.

Anthony James and Gene Soult are actively monitoring the construction progress at V.C. Summer Units 2&3. SCE&G is closely monitoring the work being performed and how time is being charged. The Consortium approved a wage increase for the craft trades to attract more skilled labor. SCE&G has now assigned resident inspectors (these are contractors) at several module-fabrication facilities to oversee quality. These resident inspectors are in addition to the quality controls (and personnel) already in place. Gaby Smith and her team of auditors tour the construction site on a bi-monthly basis and participate in the interviews of principal accounting personnel. On a monthly basis, listings of all construction expenditures are obtained and supporting invoices are selected for examination to ensure the costs are appropriate and that the cumulative costs of construction are accurately stated.

After several schedule changes, SCE&G completed the Unit 2, Layer 2 Containment concrete pour last week. This is a significant pour in the bottom of the containment vessel which will allow several other major construction activities to happen sequentially.

Unit 2 steam generators A and B are on their way to the V.C. Summer site aboard two ships. When they arrive to the port of Charleston, they will be loaded onto a specially designed rail car and transported to the site.

We are preparing our comments, due December 1st, on the proposed Clean Power Plan (Proposed Rule) issued by the U.S. Environmental Protection Agency (EPA). The Proposed Rule addresses greenhouse-gas (GHG) emissions from existing fossil-fuel-fired generating units (EGUs) by establishing carbon-emission requirements for each state, with the ultimate goal of a 30% nationwide – and 51% for South Carolina – reduction in GHG emissions by the year 2030.

The Proposed Rule presents significant concerns about the impact on costs and reliability. Our review thus far indicates that the Proposed Rule, as drafted, could cause substantial increases in the rates and bills for electricity within South Carolina and adversely affect our State's economy and consumers. In addition, the Proposed Rule could adversely impact the reliability of electric service within this State.

The EPA's methodology set forth in the Proposed Rule requires South Carolina to reduce its emission rate from the EPA's 2012 estimated rate of 1,587 pounds of CO₂ per megawatt-hour to an interim goal of 840 pounds of CO₂ per megawatt-hour and then to a final goal of 772 pounds of CO₂ per megawatt-hour by 2030. This equates to a 51% reduction, which is the third largest percentage reduction from 2012 among all states. Yet, the methodology embedded in the Proposed Rule fails to credit South Carolina for the zero-carbon-emitting nuclear generation that is currently under construction.

The ORS, with the leadership of John Flitter and Leigh Ford, continues to facilitate discussions with all 15 intervening parties in an attempt to reach a settlement agreement on the net metering methodology required under the Distributed Energy Resource Program ("solar") Act. Throughout the month, we have hosted numerous meetings and conference calls with intervenors (utilities, solar advocates, industrial customers, and others) and solicited feedback on the proposed methodology and settlement agreement. We are diligently working on reaching a compromise that encourages renewable energy in South Carolina while honoring the intent of Act 236. Our goal remains to develop a methodology that allows the investor-owned electric utilities to incent the development of solar through their Distributed Energy Resource Programs. We sent a draft settlement proposal to the 15 intervenors yesterday.



Rooftop solar-panel installations from the first round of grants awarded by Palmetto Clean Energy (PaCE) are coming to fruition. This photo depicts an installation at Griggs Road Elementary in Clover, S.C. A dedication for the project was held at the school in late October, and a dedication for a similar installation at the Roper Mountain Science Center in Greenville, S.C. occurred on November 19th. The ORS hosted the quarterly PaCE board meeting on November 7th.

NDS Energy, Inc. intends to design, construct, and operate – at its own cost – a renewable electric generating facility in Calhoun County where Tire Syngas (fuel from recycled tires) will be used as its feedstock. SCE&G and NDS Energy, Inc. entered into a renewable power purchase agreement and anticipate that NDS Energy, Inc. will be classified as a Qualifying Facility under the Public Utility Regulatory Policies Act, or PURPA.

We have established an Energy Office transition team – Nanette Edwards, Dawn Hipp, Anthony James, Jeff Nelson, Marty Rawls, and Donna Foster – to identify the most effective ways to move the Energy Office to the ORS. Two phases are being discussed: co-locating the Energy Office with the ORS and creating an Energy Office within the ORS as of July 1, 2015. For the first phase (physical move), the lease has been finalized, subject to approval by the Joint Bond Review Committee and the Budget and Control Board. If approved, the lease provides for moving the Energy Office to 1401 Main Street after January 1, 2015 and extending the total lease until August 31, 2020. For the second phase (creation within the ORS), the group is analyzing Energy Office contracts and processes.

Tom Allen and his staff met with SCE&G representatives to discuss the Company's pipeline integrity management accounting order as it relates to the Distribution Integrity and Transmission Integrity Management Programs, or DIMP and TIMP.

Railroad inspections were conducted around the State in Greenville, Charleston, Cayce, Rock Hill, Greenville, Lugoff, and Sumter. Staff completed the Annual Railroad Safety Report and submitted it to the General Assembly. Tom Allen participated in a webinar for State Rail Managers regarding the Confidential Closed Call Reporting System. This system allows railroad employees to report infractions or violations confidentially.

Led by Dawn Hipp and Willie Morgan, the ORS is working with Utilities, Inc. (UI) to examine the company's request to consolidate its 4 operating subsidiaries – Carolina Water Service, Inc., Utilities Service of South Carolina, Inc., United Utility Companies, Inc., and Southland Utilities, Inc. -- into a single entity, Carolina Water Service, Inc. The initial step will consolidate the corporate entity with no rate change. The consolidated entity anticipates filing for an examination of its rates at the end of 2015. The ORS met with UI personnel to discuss accounting issues related to classification of capital projects, retirements, and allocations between operating subsidiaries. The consolidation by UI will involve approximately 16,700 water customers and 17,000 sewer customers. These customers are located in portions of Aiken, Anderson, Beaufort, Cherokee, Georgetown, Greenville, Lexington, Orangeburg, Richland, Saluda, Sumter, Union, Williamsburg, and York counties.

The 2014 Annual Report on Local Telephone Competition is complete and will be posted on the ORS web site under *Latest News*.

Chris Rozycki and his staff are developing streamlined annual reporting requirements for telecommunications carriers to submit to the Commission for consideration. Streamlining the requirements would make them more relevant and easier to comply with for the vast majority of our telecommunications companies.

Jordyn Funderburk continues outreach in the S.C. Equipment Distribution Program (SCEDP) and exhibited SCEDP information for attendees of the S.C. Deaf/Hard of Hearing Education Summit.

George Parker and the Transportation Department continue to be busy with site visits, inspections, and hearings, particularly with regard to household goods (HHG) movers. Several focused inspections, complaint investigations, and random audits of HHG movers were conducted around the State. Staff participated in a multi-state Moving Fraud conference call hosted by the Federal Motor Carrier Safety Administration.

Attached is our monthly summary of consumer issues handled by our Consumer Services Department. We distributed to social-service and community-action agencies almost 14,000 copies of our brochures – *Electric and Natural Gas Safety Net Programs*, *Winter Heating Costs*, and *Portable Generator Safety*. Included in this total are approximately 1,200 copies of the S.C. Emergency Management Division's *Severe Winter Weather* resource guide that we distributed.

If you have any questions or concerns, please feel free to contact me. Best wishes to you and your loved ones this Thanksgiving season.

Sincerely,

C. Dukes Scott
Executive Director

Enclosure

Consumer Services

From July 26, 2004 through October 31, 2014, the agency processed a total of 34,933 consumer complaints and inquiries. Of this total, 140 constituent referrals were initiated by members of the General Assembly, and 303 constituent referrals were initiated by the Governor's Office.

Electric	20,100
Gas	1,332
Sewer	773
Telecommunications	10,381

Incumbent Local Exchange Carriers	6,404
Inter-exchange Carriers	1080
Competitive Local Exchange Carriers	1501
Prepaid CLEC	497
Coin phone	25
Inmate telecommunications provider	54
Prepaid phone card	12
Non-regulated telecom entity/service	808
	10,381

Transportation	383
Water	1685
Misc.	279
Total	34,933

Noteworthy amounts recovered for consumers include the following:

- \$616 for an electric customer due to customer responsibility issue
- \$2,808 for an electric customer due to meter-reading error

January 12, 2015

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

I am writing to provide you a summary of major developments during 2014 regarding SCE&G's VC Summer new nuclear project (the Units) in Jenkinsville.

As part of the ORS' oversight of new nuclear development construction schedules and budget, ORS New Nuclear Development (NND) and Audit staff members actively monitor the Units. NND staff Anthony James and Gene Soult visit the construction site weekly. Gaby Smith and her team of auditors tour the site on a bi-monthly basis and participate in interviews of principal accounting personnel. On a monthly basis, listings of all construction expenditures are obtained and supporting invoices are selected for examination to ensure the costs are appropriate and that the cumulative costs of construction are accurately stated.

Major construction milestones were achieved in 2014. The assembly of the "Big Six" modules, CA01 through CA05 and CA20, at the site continued to make progress. These 6 modules are key components of Westinghouse's modular design for the Units. Throughout the year, multiple components from around the world continued to arrive, and work progressed throughout the construction site. Several major components were lifted into place by the Bigge Crane – one of the largest cranes in the world. Our staff witnessed several of the major project milestones. Below are some construction highlights that occurred as the year progressed:

- In May, the 5-story, 1,000-ton super module CA20 was placed in the Unit 2 nuclear island. This module is located outside and adjacent to the containment building. It is part of the auxiliary building, which will house fuel handling and storage areas as well as other important plant systems. Also in May, workers placed the approximately 900-ton containment vessel bottom head on the Unit 3 basemat.
- In June, the first ring of the containment vessel for Unit 2 was placed on top of the bottom head. The remaining two rings will follow. All rings are fabricated with multiple levels of steel plates. The top head will be the final component of the containment vessel. When complete, the containment vessel will weigh about 4,000 tons and stand more than 200 feet.

- Significant progress continued over the summer throughout the construction site, including in the Unit 2 turbine island. The Unit 3 deaerator arrived on site in September, and major concrete pours continued into the fall, including preparation for installing shield building panels. In addition, structural concrete continued to be placed inside the Unit 2 containment vessel bottom head.
- Preparation for shipment of the Unit 2 steam generators continued in anticipation of their arrival from the Port of Charleston. With a diameter of 20 feet, the shipping weight of the generator is about 750 tons. One of the steam generators is now on site.
- The year closed with the placement of structural module CA05 in December. Weighing approximately 180,000 pounds, CA05 forms part of the chemical and volume control system tunnel and passive core cooling system walls within the containment vessel. It consists of reinforced steel plates that will be filled with concrete to provide structural support for the containment building, and the walls will separate multiple rooms in the containment building.

In terms of ownership, SCE&G announced early in the year that it had an agreement to acquire from Santee Cooper an additional 5% (110 MWs) ownership in the Units. Ultimately, under the new agreement, SCE&G would own 60% and Santee Cooper would own 40% of the Units.

In May, SCE&G filed its Annual Request for Revised Rates with the Commission requesting a retail revenue increase of approximately \$70 million (or 2.99%). In July, the ORS filed its report in response to SCE&G's request. The ORS' examination reduced the Company's request by approximately \$3.8 million. The Commission approved SCE&G's request reflecting ORS' adjustments on September 30, 2014.

The substantial completion dates approved by the Commission are March 15, 2017 and May 15, 2018 for Unit 2 and Unit 3, respectively. In August, SCE&G received a preliminary revised schedule which shows the Unit 2 substantial completion date to be delayed until late 2018 or the first half of 2019, and the Unit 3 substantial completion date to be approximately one year, thereafter. According to SCE&G, the Consortium continued to experience delays in fabrication and delivery of submodules for the Units; these delays were the primary reason for issuing a revised schedule. In October, SCE&G issued a press release stating that the Consortium provided preliminary cost estimates reflecting the revised schedule. SCE&G's 55% portion of this preliminary estimate is approximately \$660 million (in 2007 dollars). This amount will be adjusted upward once the Company determines its corresponding Owner's Cost.

SCE&G has not accepted financial responsibility for any of these delay costs and continues to review and negotiate with the Consortium regarding such responsibility. In an allowable ex parte briefing in October, SCE&G informed the Commission of the project schedule delays and updated cost estimates. In addition, the Company provided information on the continued progress of construction at the site, its commitment to Jenkinsville, and the hiring of an additional 400 workers. The site currently employs approximately 3,500 workers.

SCE&G anticipates that the revised schedule and updated cost estimates will be finalized in 2015. Once finalized, SCE&G intends to file a petition requesting that the Commission approve the updated schedule and cost estimates.

October 31, 2014

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

We thank the members of PURC for your continued support both of the ORS and of me as expressed at the PURC meeting and annual review on October 22nd. Your gracious comments are appreciated, and I have informed the staff of the praise directed toward them for their hard work and dedication.

Pipeline Safety Inspector David DeBruhl has retired. David's departure leaves a critical need, and the loss of his many years of experience is not easily replaceable. Nevertheless, we are working to fill this position. Meanwhile, Inspector Johnny Eustace completed two additional weeks of PHMSA training in Oklahoma City this month and is close to fulfilling the requirements for federal certification.

More recently, Carey Sue Stites retired from the Gas Department. Carey Sue's knowledge, work ethic, and loyalty will be missed. To foster ongoing development of staff expertise, we are continuing to cross-train and promote professional training. Three ORS staff members (one from Electric and two from Audit) are at NARUC Rate School this week in Clearwater Beach, Florida.

Earlier this month, the Consortium provided SCE&G preliminary cost estimates related to the project schedule delays at the V.C. Summer Units 2&3 construction project. SCE&G's portion of the delay costs amounts to \$660 million (in 2007 dollars). This amount will be adjusted upward once the Company determines its corresponding Owner's Cost. SCE&G has not accepted financial responsibility for any of these delay costs and continues to review and negotiate with the Consortium regarding such responsibility. SCE&G reports that it cannot predict when this process will be finalized; however, once finalized, the Company intends to file a petition requesting that the Commission approve the updated schedule and cost estimates.

On October 15th, in an allowable ex parte briefing, SCE&G informed the Commission of the project schedule delays and updated cost estimates. In addition, the Company provided information on the continued progress of construction at the site, its commitment to Jenkinsville, and the hiring of an additional 400 well-paid workers since my last letter to you. Last week, this progress was also expressed to ORS staff as they met with the lead project representatives from Westinghouse, Chicago Bridge & Iron, and SCE&G. Also last week, the S.C. Supreme Court affirmed the decision of the Commission for construction-cost updates at SCE&G's new nuclear project. I am proud of Shannon Hudson for successfully arguing ORS' position in support of the Commission before the Court.

As South Carolina responds to the EPA's proposed Clean Power Plan, we are working diligently with DHEC, the electric suppliers, conservationists, and other stakeholders. This collaborative effort, led by DHEC, has been touted nationally as a model approach for providing meaningful comments to the EPA. As proposed, the Plan does not give South Carolina proper credit for its new nuclear construction project. This issue is of paramount importance for the good of our State. The stakeholders are working toward comments that present the EPA with a balanced approach that gives South Carolina appropriate credit for new nuclear construction. The ORS met with the S.C. Energy Coalition to discuss the comment letter that we will be submitting to the EPA regarding the proposed rule. Comments are due by December 1, 2014.

We are meeting with all intervening parties in an attempt to develop the net metering methodology required under the Distributed Energy Resource Program ("solar") Act. The 15 intervening parties include the IOUs, conservation groups, solar advocates and developers, industrial customers, and small businesses. Meetings were held at the ORS on October 14th and 15th that allowed intervenors to discuss their responses to the survey from the ORS' consultant regarding items for inclusion in the net metering formula. Following the two-day meeting, a small workgroup of intervenor representatives met to continue working on a potential settlement. The ORS continues to work with our consultant and all intervening parties on a proposed methodology. A draft methodology proposal was sent to all parties this week for their review. The methodology needs to be constructed in a way that will incent the growth of solar through the Distributed Energy Resource Programs to be filed by the investor-owned utilities. Testimony in this docket is due by all parties on December 11, 2014, and the hearing is scheduled for February 3, 2015.

SCE&G and Piedmont Natural Gas (PNG) filed comments agreeing with the ORS' recommendations submitted in our annual reports under the Rate Stabilization Act (RSA) for the two companies. Savings to customers resulting from the ORS recommendations equate to \$4,665,000 for PNG and \$2,647,323 for SCE&G.

Electric staff met with representatives of SCE&G to discuss its investment in critical infrastructure upgrades to meet NERC (North American Electrical Reliability Council) requirements as mandated by FERC. SCE&G filed a request for an accounting order with the PSC to defer the expenses associated with that investment over a five-year period with a cap of \$20 million. Electric staff also met with SCE&G this month to review the Company's quarterly earnings.

The ORS continues its intensive efforts with the SC Emergency Management Division (EMD). Three ORS staff members and a representative of the Energy Office met in North Charleston with the State Ports Authority, the U.S. Coast Guard, and other stakeholders to continue work on developing the statewide fuel plan. Several ORS staff members met with IT representatives of EMD to discuss the ESF 12 outage-reporting software developed for use by the electric and gas utilities during an emergency. All of ORS *Team A* EMD designees and a portion of *Team B* attended a winter weather seminar at EMD on October 29th. Also, lead representatives of the ESFs gathered to review functions of the State Emergency Operations Center.

Rail inspections occurred around the State in Orangeburg, Columbia, Georgetown, and Enoree.

We continue to work with Rasier, LLC -- a wholly owned subsidiary of Uber Technologies Inc. -- and the S.C. Department of Insurance on the insurance coverage issues related to the application of Raiser to be regulated as a Class C motor carrier in South Carolina. The insurance issue has not been resolved, and it appears that the hearing process is necessary to move the application. The Commission has set a hearing date of January 26, 2015.

A sharp uptick in new entrants into the household goods motor carrier (HHG) arena has kept the Transportation Department busy with site visits and hearings. As housing sales continue to rebound in South Carolina, the number of consumer complaints related to HHG movers has increased as consumers utilize new entrants or HHG movers cut corners to meet high demand. Due to the complexity of complaints, the time spent to investigate HHG complaints has also increased.

Several focused inspections were conducted around the State in Newberry (checking household goods carriers at weigh stations) and in Florence for non-emergency medical transportation. ORS inspectors investigated complaints against household goods movers in Irmo and Charleston and against a non-emergency Medicaid carrier in Columbia. A compliance audit for a household goods mover was conducted in Greenville, and the ORS inspected charter buses at the State Fair.

The ORS continues to take action to resolve consumer complaints and inquiries. From July 26, 2004 through September 30, 2014, the agency processed a total of 34,699 consumer complaints and inquiries. Of this total, 140 constituent referrals were initiated by members of the General Assembly, and 303 constituent referrals were initiated by the Governor's Office.

Electric	19,916
Gas	1,324
Sewer	768
Telecommunications	10,364

Incumbent Local Exchange Carriers	6,390
Inter-exchange Carriers	1080
Competitive Local Exchange Carriers	1499
Prepaid CLEC	497
Coin phone	25
Inmate telecommunications provider	54
Prepaid phone card	12
Non-regulated telecom entity/service	807
	10,364

Transportation	380
Water	1671
Misc.	<u>276</u>
Total	34,699

Noteworthy amounts recovered for consumers include the following:

- \$1,489 for an electric customer due to erroneous billing charges
- \$673 for an electric customer due to removal of debt from account
- \$900 for an electric customer due to charges being beyond the statute of limitations

In Water/Wastewater, the ORS facilitated a settlement in the CUC, Inc. rate case. Savings to customers as a result of the settlement are \$300,692.

ORS representatives attended the 2014 South Carolina Water Resources Conference at the Columbia Metropolitan Convention Center. Staff listened as a policy forum of state legislators discussed the General Assembly's efforts to deal with water issues, such as the development of

a drought plan and a clear understanding of our available water resources. ORS staff also attended the National Association of Water Companies Summit in Fort Lauderdale, Florida, this month.

Telecommunications staff has completed the USF resize for 2015. A mailing to all Fund contributors informing them of the new USF factor will be sent by November 3, 2014.

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

C. Dukes Scott
Executive Director

February 27, 2015

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

We presented our FY 2016 budget, as previously approved by the PURC, to the Transportation, Regulatory & Cultural Subcommittee of the House Ways & Means Committee where it was accepted. Subsequently, the full House Ways & Means Committee approved our requested budget to be included in the Appropriations Act for 2015-2016. Our Senate Finance Subcommittee hearing is scheduled for March 4th. Senator Matthews is Chairman and Senators Cleary and Nicholson are members. This proposed budget combines the budget authority needs of the ORS and the Energy Office.

During the week of February 9th, Chicago Bridge & Iron (CB&I) workers at the VC Summer site were core drilling the concrete floor inside the Unit 2 containment vessel bottom head (CVBH). In the process, CB&I cut some safety-related rebar and damaged the Unit 2 CVBH. CB&I did not report this damage to SCE&G until February 16, and because of the federal holiday, SCE&G did not report it to the on-site NRC resident inspector until February 17. The NRC has sent a 3-person special inspection team to the site. Although the NRC characterized the damage as minor, the inspectors will spend about a week at the site to ensure they completely understand the potential impact of the damage and the apparent breakdown in controls that might have prevented it. The NRC is also concerned about the delay in CB&I reporting the issue.

SCE&G has initiated its own investigation to determine the details of this incident and to ensure that the corrective actions address the proper repair of this minor damage and take the necessary steps to prevent a recurrence of such an incident.

Initial planning inspection activities call for removal of approximately two square feet of concrete above and around the damaged CVBH area to facilitate a detailed examination and determine the required method of repair. In addition, it is anticipated that procedural changes and training will be identified and implemented to prevent the recurrence of a similar situation. I will keep you informed as the inspection continues.

Nuclear construction at VC Summer continues to make progress although construction activities have been affected by recurring periods of inclement weather. On February 10th, we met with Steve Byrne, SCE&G President of Generation and Transmission and COO, who provided a quarterly update on the status of construction at the site. Based upon information from the

Consortium, SCE&G currently anticipates the substantial completion date of Unit 2 to be June 2019, and the substantial completion date of Unit 3 to be June of 2020. As a result, the completion dates for a number of milestones are expected to extend beyond the 18-month boundary allowed by the Commission's order. SCE&G has been notified by the IRS that the Units are eligible for production tax credits if they are operational before January 1, 2021. The benefit of these production tax credits should be directly passed on to the customers.

SCE&G intends to file a petition requesting that the Commission approve updated schedule and cost estimates. As of the end of 2014, SCE&G has spent approximately \$2.8 billion on the project.

The inclement weather that threatened our State earlier in the month and in the past few days has kept us on alert. Our ESF-12 leaders and I participated in a conference call with the Governor and EMD officials on Wednesday afternoon in anticipation of the most recent winter storm. Fortunately, South Carolina was spared the brunt of the storm with minimal damages and outages reported. In the preceding storm just a week earlier, outages reached a high of 106,000 (mostly Duke Energy customers) on February 17th but restoration was speedy, with outages down to 20,000 by the next day and down to virtually none by the 19th. On February 20th, record-low temperatures resulted in the electric IOUs and Santee Cooper breaking their all-time peak demand records. Thanks to advance planning and proactive communication with customers on how to conserve energy, all were able to meet the demand. South Carolina electric suppliers plan each day of the year to be prepared to meet these challenges.

Throughout all these weather events, our staff members that work with EMD have spent many hours planning for various contingencies and communicating with the utilities, electric cooperatives, Santee Cooper, and the S.C. Association of Municipal Power Systems. These weather-related activities are in addition to the many "routine" EMD activities in which we participate.

The January 27th derailment of a CSX locomotive and 9 cars in Martin, S.C. that released three chemicals is under FBI investigation. The ORS and several other state agencies, along with the National Transportation Safety Board, have also been involved. On February 19th, representatives of the ORS Rail Safety program met with representatives of several agencies in Allendale for an after-action review of the derailment. Routine inspections this month occurred in Aiken, Lancaster, Chester, Rock Hill, Orangeburg, Belton, Spartanburg, Clinton, Sumter, Blacksburg, and Dillon.

The generic proceeding to establish net metering standards under Act 236 was held on February 3rd, with the ORS providing two witnesses. Next in the process, SCE&G, Duke Energy Carolinas (DEC), and Duke Energy Progress (DEP) filed their Distributed Energy Resource Program plans on February 9th. We have been in consultation with each of the IOUs to discuss and review their proposed plans.

NC WARN, a conservationist activist group based in North Carolina, filed a complaint with the FERC alleging excess capacity in the Southeast. A courtesy copy of the filing was sent to the PSC, thus prompting them to require all South Carolina electric IOUs, including Lockhart Power, to file a response by February 9th. All have done so, with the consensus being that South Carolina is not the proper jurisdiction for the issues put forth by NC WARN in its FERC filing. The ORS filed with the FERC a motion to intervene in the proceeding.

Several meetings with DEC occurred this month on a variety of matters including their pay-as-you-go proposed pilot program, their nuclear decommissioning fund, and their transmission

planning. The latter topic was discussed via the quarterly transmission planning stakeholder meeting.

Duke Energy has reached a proposed agreement with the U.S. government that, if approved, would close a federal investigation of its subsidiaries – DEC, DEP, and Duke Energy Business Services – related to the Dan River coal ash spill and ash basin operations at other North Carolina coal plants. This agreement is subject to review and approval by the U.S. District Court for the Eastern District of North Carolina.

The agreement identifies nine misdemeanor violations of the Clean Water Act in connection with the spill and unauthorized discharges at Dan River Steam Station, Eden; maintenance issues at Cape Fear Steam Electric Plant, Moncure; and unauthorized discharges at Riverbend Steam Station in Mt. Holly, H.F. Lee Steam Electric Plant in Goldsboro, and the Asheville Steam Electric Generating Plant.

The agreement would also require DEC and DEP to pay a total of \$68.2 million in fines and restitution and \$34 million for community service and mitigation. These payments will be borne by shareholders, not customers. The Company is addressing each of the issues through facility improvements or new permitting.

In preparation for PHMSA's annual audit of the Pipeline Safety program in October, Pipeline Safety staff submitted a progress report to PHMSA on February 27th.

We continue to monitor the progress of S.277. If approved, we believe it will be of benefit to the public interest as it acknowledges that all service providers, including wireless mobile, are actually dependent on landlines to complete calls, thereby necessitating an equitable restructuring of fees so that all users are paying into the State Universal Service Fund.

We will be hosting two education forums this spring. Our water/wastewater staff will host a workshop for regulated companies on April 17th to be held at the PSC. This annual forum provides valuable information to company representatives on trends in the water and wastewater regulatory arena as well as helpful tips on maintaining compliance. Commissioner Howard will be a speaker at this conference. We will also host an educational forum for our transportation carriers on March 16th at the PSC. The theme of the forum is *Change. Challenge. Opportunity*. The focus of the day will be best practices in the household goods moving industry.

As spring approaches, our Transportation staff prepares for the Carolina Cup (March 28th) and prom season, which runs from March through May. The Cup is our biggest charter-bus event; we typically have all of our Transportation inspectors and manager there and inspect about 250 buses. Concerts are another significant inspection venue; at concerts, we focus on limousines.

Transportation staff conducted several focused inspections of non-emergency Medicaid passenger carriers at healthcare locations including Palmetto Health hospital systems and S.C. Mental Health (both in Columbia), Sumter Dialysis, and the Greenville hospital system. At the Myrtle Beach airport, we conducted a focused inspection of passenger carriers.

Consumer Services staff will partner with community organizations around the Midlands to host events in recognition of National Consumer Protection Week. This year's theme for National Consumer Protection Week is *Your Information Destination: Know Your Rights*. The events are designed to educate consumers about their basic rights related to investor-owned utility companies.

Consumer Services is working with an electric and a gas utility to resolve issues resulting from those companies' failure to comply with a 24-hour policy to reconnect customer service after payment had been made. Both companies are taking steps to address the matter.

ORS staff members continue to share best practices and participate in professional development. Deputy Director Nanette Edwards addressed the Platts 11th annual nuclear energy conference in Washington D.C on the role of the states in nuclear energy policy. Three staff members attended the NARUC winter conference also held in Washington. Two of our auditors and one electric staff member recently earned their Associate Public Manager certifications through the S.C. Office of Human Resources, and one of our rail inspectors participated in FRA training for the Operating Practices discipline.

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

C. Dukes Scott
Executive Director

Consumer Services

From July 26, 2004 through January 31, 2015, the agency processed a total of 35,499 consumer complaints and inquiries. Of this total, 140 constituent referrals were initiated by members of the General Assembly, and 303 constituent referrals were initiated by the Governor's Office.

Electric	20,545
Gas	1,351
Sewer	779
Telecommunications	10,435

Incumbent Local Exchange Carriers	6,446
Inter-exchange Carriers	1081
Competitive Local Exchange Carriers	1507
Prepaid CLEC	497
Coin phone	25
Inmate telecommunications provider	54
Prepaid phone card	12
Non-regulated telecom entity/service	813
	10,435

Transportation	401
Water	1704
Misc.	<u>284</u>
Total	35,499

Noteworthy amounts recovered for consumers include the following:

- \$2,440 collective amount refunded to 61 wastewater customers due to misapplied tariff over a period of several months
- \$1,216 for an electric customer for charges that were past the statute of limitations
- \$650 for an electric customer for charges belonging to another customer
- \$570 for an electric customer for reduction of a deposit amount
- \$583 and \$500 for two telecom customers, due to receiving bills after service was cancelled
- \$500 for a telecom customer due to discovery of a phone scam

March 31, 2015

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

Last week the S.C. Energy Office moved to their new offices here at the ORS. While they are not officially part of the ORS until July 1st, the close proximity over the next few months will help with the transition as we prepare with them to become part of this agency. Until July 1st, Ashley Lancaster remains Director of the Energy Office.

The NRC investigation of the accidental drilling damage to VC Summer Unit 2 Containment Vessel Bottom Head (CVBH) that I noted last month is complete, and the damage to the CVBH has been repaired. After investigation, the NRC deemed that the initial delay in CB&I's reporting the issue was an error in judgment.

SCE&G filed a petition on March 12th requesting that the Commission approve updated schedule and cost estimates. In the Company's press release, they state that the updated filing "was necessary at this time as several project milestone dates previously approved by the SCPSC have now exceeded their allowable contingency time periods." The petition indicates a substantial completion date for Unit 2 of June 2019 and a substantial completion date for Unit 3 of June 2020. However, it is our understanding that Chicago Bridge & Iron (CB&I) has issued updates indicating that August 2019 may be more accurate for the Unit 2 date, with Unit 3 to follow approximately 10 months afterward.

In the filing, SCE&G is requesting to update its capital budget by \$698 million (in 2007 dollars). The delay and other contested costs -- driven mainly by a delay in sub-module fabrication -- are \$539 million (in 2007 dollars). SCE&G has not accepted responsibility for all delay-related costs and is in negotiations with CB&I regarding responsibility for the delay and related costs. Therefore, while contested amounts are included in the filing, SCE&G does not waive its claim to dispute them.

Nuclear construction at VC Summer continues to make progress, with 42 of the 146 BLRA milestones remaining. Adequate storage and preventive maintenance for all the parts that have arrived at the site is an issue. At the end of last month ORS staff, along with SCE&G and CB&I representatives, toured the warehouse in Blythewood that is being retained by CB&I as an off-site storage facility for equipment and components for the Units. Additional off-site storage is needed, and space at Columbia Metropolitan Airport is being considered.

The hearing for the SCE&G annual fuel review will be on April 9th. In ORS testimony filed on March 24th, we recommend reducing the Company's forecasted fuel costs by \$4,937,500 to reflect lower forecasted costs.

We are in consultation with each of the IOUs to discuss and review their proposed DER plans. Currently, we are reviewing their applications, receiving responses to information requests, and consulting with company personnel and industry representatives to gain insight in preparing our testimony for each. In a related matter, the board of Palmetto Clean Energy (PaCE) discussed at its quarterly meeting this month possible modifications that can be made to the program so that it effectively complements the DER programs.

The Pipeline Safety Department is promoting *National Safe Digging Month* in April. Staff attended the National Association of Pipeline Safety Representatives southern region conference in Chattanooga, and inspectors attended the Southern Gas Association's spring conference in Charlotte. Also this month, the inspectors attended and observed SCE&G's weld testing for their contractors.

More temperate weather in March allowed our EMD team some breathing room after an intense February. They continue to participate in all the EMD-related seminars and training including a Recovery Task Force meeting and Operation Vigilant Guard exercise. Our lead EMD staff member gave a presentation to the Palmetto Information Phone System, or PIPS, on the roles and responsibilities of ESF-12.

In Railroad, our Operation Practices (OP) inspector is now certified in Operation Lifesaver, so he will begin to give presentations to schoolchildren and other groups regarding safety at railroad crossings. The OP inspector also attended the annual FRA recurrency training, hosted and paid for by the FRA, in Cambridge, Massachusetts.

Rail staff discussed with representatives of Greenville County's Economic Development Corporation and Greenville County Council the possibility of developing a Personal Rapid Transit system for the downtown Greenville area. Similar to Segways, these PRTs, as they are known, would run on a raised platform that resembles a biking or hiking trail.

Routine rail inspections occurred around the State in Columbia, Charleston, Orangeburg, Bennettsville, Florence, Cayce, and Abbeville.

The 854 area-code overlay for the 843 region is now in the optional 10-digit dialing phase, which began on March 14th. We had interviews with a few media outlets concerning the change, and we also have available an information sheet that details what those in the 843 area code region can expect over the next few months.

The S.C. Equipment Distribution Program continues its outreach activities around the State; this month included presentations and exhibits for the Lion's Club of Winnsboro, Westside Baptist senior group, and the Assistive Technology Expo.

As noted last month, staff had been preparing for two educational forums this spring – one in Transportation and the other in Water/wastewater. The Transportation forum occurred in March and was very successful. Sixty representatives of approximately 50 household-goods moving companies were in attendance, and they gave very positive reviews of the event. In fact, attendees expressed a desire for the forum to be held annually, rather than bi-annually as has been done in the past. Next is the Water/wastewater workshop on April 17th to be held at the PSC. Commissioner Howard will be a speaker at this conference.

Water and Wastewater staff attended the S.C. Environmental Conference in Myrtle Beach. Speakers covered a wide range of water and sewer issues, including those involving technology and regulatory updates and changes.

Transportation staff was out in full force for the Carolina Cup on March 28th. Over 200 buses were inspected.

Due in large part to our efforts in identifying household goods companies advertising illegally, there has been an uptick in companies both seeking new applications and seeking expansion of their scope of authority. Several application hearings occurred in March. In preparation for these hearings, staff conducts site visits at these companies' headquarters.

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

C. Dukes Scott
Executive Director

Consumer Services

From July 26, 2004 through February 28, 2015, the agency processed a total of 35,683 consumer complaints and inquiries. Of this total, 140 constituent referrals were initiated by members of the General Assembly, and 303 constituent referrals were initiated by the Governor's Office.

Electric	20,671
Gas	1,354
Sewer	797
Telecommunications	10,457

Incumbent Local Exchange Carriers	6,463
Inter-exchange Carriers	1081
Competitive Local Exchange Carriers	1511
Prepaid CLEC	497
Coin phone	25
Inmate telecommunications provider	54
Prepaid phone card	12
Non-regulated telecom entity/service	814
	10,457

Transportation	405
Water	1713
Misc.	286
Total	35,683

Noteworthy amounts recovered for consumers include the following:

- \$1,892 for an electric customer due to removal of erroneous charges
- \$13,800 removal of charges for an electric customer after the ORS' investigation found the company could not prove that the consumer should be held responsible for payment of past years' accumulated charges

May 29, 2015

NAME
ADDRESS
CITY, STATE ZIP

Dear NAME:

We are focused on SCE&G's 2015 Base Load Review Act (BLRA) nuclear update filing with our testimony due June 24, 2015. A great deal of work has been done studying the issues and law with a review of an enormous amount of information.

In its filing, SCE&G is requesting an increase in its capital budget of \$698 million. Approximately 77% of the request, or \$539 million, is due to delay and other contested costs. The additional costs are primarily the result of a delay in fabricating sub-modules by Chicago Bridge & Iron at its Lake Charles, Louisiana facility.

At the beginning of the project, two of the risks for delays were considered to be the international vendors and a nuclear power plant incident. However, delays similar to the ones at the domestic vendors have not been experienced with the international vendors, and the Fukushima disaster did not contribute to the delays that have occurred.

We are analyzing this matter with our mission of representing the public interest as it is defined in Act 175 – i.e., balancing the interests of the consumer, economic development, and the financial integrity of public utilities. For the latter, maintaining financial integrity is crucial so that a utility can raise the necessary capital to invest in and maintain the infrastructure required to provide adequate and reliable service. Also, as of now with today's technology, nuclear is the single greatest carbon-mitigation energy resource available.

On May 26th, 12 investment analysts visited with the ORS to discuss the new nuclear construction and the update filing. One of those analysts was Neil Kalton, CFA, Senior Analyst, of Wells Fargo Securities. Below is an excerpt from Mr. Kalton's take-away from that meeting:

"Mr. Scott indicated that the BLRA was intended to give investors security around new nuclear development in the state. While the ORS will carefully evaluate the cost increases and schedule delays, we did not get the sense that the modifications outlined in SCE&G's pending request were deal-breakers for ORS's continued support of the project. We believe the ORS is looking at the project from a big picture vantage point – could be an economic boon to SC over the next 30+ years once operating – and that total cost remains fairly reasonable. In fact, the revised request pegs SCE&G's share at \$6.827B which is only \$514MM more than the PSC originally approved in 2009 Mr. Scott stressed that requests to modify cost and/or schedule are permissible under the BLRA so long as the changes are not the result of the owners (not the consortium) acting imprudent."

SCE&G has filed for a 2.78%, or \$69.6 million, increase in its electric rates to recover the cost of capital of an incremental construction-work-in-progress amount of \$596.5 million associated with the two new nuclear units. This filing will result in the monthly bill of a residential customer increasing by \$4.01 from \$145.87 to \$149.88. With this addition, this residential customer will be paying \$23.47 per month for the new nuclear. These numbers are subject to an audit by the ORS.

We are getting acquainted with the Energy Office as we prepare for it to become part of the ORS on July 1st. A high priority is to begin developing a state energy plan.

We continue to fulfill our responsibilities arising from Act 236, or the Distributed Energy Resource (DER) Act. The three main components of the Act are the net metering methodology, DER programs, and solar leasing. Intensive efforts, including many hours of negotiations, discussions, and meetings with all parties, have been underway to work with the electric IOUs in developing their DER programs. Settlements have been reached for the DER programs of Duke Energy Carolinas (DEC), Duke Energy Progress (DEP), and SCE&G. For the DEC and DEP settlement agreements, all parties signed except the Sierra Club who, while they did not sign, said they were not opposed to the settlement terms. For the SCE&G DER program, a settlement was filed on May 26th. The Sierra Club, the Electric Cooperatives of SC, and Central Electric Cooperatives did not sign; however, all three stated they were not opposed to the settlement terms.

In the DEP annual fuel review, we are proposing a reduction of \$2.2 million to remove the cost of replacement power due to an outage at the Robinson 2 nuclear unit. DEP's request and ORS' adjustment equate to a reduction from \$105.14 to \$102.41 per residential customer using an average of 1,000 kilowatt hours monthly.

DEC and DEP are exploring the viability of combined heat and power projects in which the generation of electricity would also provide steam used by certain industrial customers. We are in discussions with them regarding this possibility.

Pipeline Safety staff continued their inspections around the State and participated in the quarterly conference call for the Southern Region hosted by the Pipeline and Hazardous Materials Safety Administration (a division of the US Department of Transportation). The Southern Region consists of 8 states and Puerto Rico.

In light of derailments involving either the actual release of hazardous materials (Allendale in late January) or the potential for a hazardous release (Edgefield County in April), the FRA has issued new rules and regulations regarding tank cars and emergency notification to first responders. At the request of the SC EMD, the ORS produced a summary of the new tank-car rules to distribute to county EMD managers. Based on the new rules, the ORS rail manager has briefed county emergency managers regarding how to correctly respond to rail incidents involving hazardous materials.

The SC Equipment Distribution Program continues its outreach activities around the State; this month included a presentation at the City of Columbia Senior Expo with over 620 attendees. ORS Consumer Services also participated in this event and gave a presentation on saving energy while saving money.

The third-party audit of the Universal Service Fund for calendar year 2014 has been completed. The ORS has again received an unqualified opinion report with no deficiencies in

internal controls identified. This favorable report reflects the hard work of the Telecommunications and Administration Departments.

Staff attended a cyber security training seminar for water/wastewater utilities hosted by the EPA on May 14th. Practices used by criminals to infiltrate utility operations were discussed, as well as effective methods for defending water/wastewater utilities against these cyber attacks.

We continue to see an increase in household goods applications to establish authority or to expand their scope of authority. Two site visits in preparation for application hearings were conducted in Charleston and one in North Augusta.

Several complaint investigations, compliance audits, and targeted enforcement activities also occurred in locations around the State. As a result of a compliance audit with one household goods mover, we discovered approximately \$33,000 in overcharges to customers. The company was also issued five citations for various violations.

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

C. Dukes Scott
Executive Director

Consumer Services

From July 26, 2004 through April 30, 2015, the agency processed a total of 36,083 consumer complaints and inquiries. Of this total, 140 constituent referrals were initiated by members of the General Assembly, and 303 constituent referrals were initiated by the Governor's Office.

Electric	20,993		
Gas	1,358		
Sewer	805		
Telecommunications	10,497		
		Incumbent Local Exchange Carriers	6,486
		Inter-exchange Carriers	1082
		Competitive Local Exchange Carriers	1521
		Prepaid CLEC	497
		Coin phone	25
		Inmate telecommunications provider	54
		Prepaid phone card	12
		Non-regulated telecom entity/service	820
			10,497
Transportation	408		
Water	1725		
Misc.	<u>297</u>		
Total	36,083		

Noteworthy items:

- \$650 recovered for an electric customer who did not receive proper notice for disconnection and, as a result, incurred expenses for spoiled food and damaged appliances.
- The Consumer Services Department spring mail-out included a total of 17,400 brochures on *Electric & Natural Gas Safety Net Programs*, *Your Basic Utility Rights*, and *Summer Cooling Costs*. This literature was distributed to 58 community assistance agencies.
- On May 22nd, Consumer Services staff participated in the Gleams Community Action consumer outreach event in Greenwood. This event reached about 125 consumers, and the ORS provided brochures on several consumer-oriented topics.